

# FISCAL NOTE

**Bill #:** HB0313

**Title:** Carryforward of school budgets

**Primary Sponsor:** Younkin, C

**Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
-------------------	------	---------------------------------	------

## Fiscal Summary

	<b><u>FY 2004</u></b> <b><u>Difference</u></b>	<b><u>FY 2005</u></b> <b><u>Difference</u></b>
<b>Expenditures:</b>		
General Fund	(\$30,000,000)	(\$5,000,000)
<b>Net Impact on General Fund Balance:</b>	\$30,000,000	\$5,000,000

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns                      |
| <input type="checkbox"/> Included in the Executive Budget         | <input type="checkbox"/> Significant Long-Term Impacts           |
| <input type="checkbox"/> Dedicated Revenue Form Attached          | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

## Fiscal Analysis

### ASSUMPTIONS:

1. As introduced, HB 313 limits the amount that a school district can earmark for its operating reserve or transfer to the school flexibility fund to 10% of the general fund ending fund balance. This provision is more restrictive than current law, which allows a district to reserve an amount equal to 10% of the districts general fund budget.
2. The total ending fund balances for all school districts on June 30, 2002 was \$82.2 million. For FY 2003, school districts earmarked \$64.33 million for general fund operating reserves. Districts reappropriated \$13.33 million to fund district general fund budgets. The remaining \$4.5 million was set-aside as "excess reserves" as allowed by 20-9-104(5).
3. Under HB 313, districts would only have been able to reserve or transfer \$8.2 million for FY 2003. In general, districts would not be able to set-aside any excess reserves, so the total amount available for reappropriation for school general fund budgets would be \$74 million.
4. The present law estimates of fund balance reappropriated to reduce BASE budget mills in FY 2004 and FY 2005 is \$13.0 million annually. The \$74 million that would be available under HB 313 exceeds the present law estimate by \$61 million.
5. Statewide, this influx of revenue is expected to lower state guaranteed tax base (GTB) obligations by \$30 million in FY2004 and reduce local levies by about the same amount.
6. Districts will have to reappropriate all but 10% of their ending fund balance at the end of FY 2004. This will generate additional state GTB and property tax savings in FY2005. This is estimated to be about \$5 million in FY 2005.

**Fiscal Note Request HB0313, As Introduced**  
(continued)

FISCAL IMPACT:

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
<u>Expenditures:</u>		
Local Assistance	(\$30,000,000)	(\$5,000,000)
<u>Funding of Expenditures:</u>		
General Fund (01)	(\$30,000,000)	(\$5,000,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$30,000,000	\$5,000,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Like state general fund district general fund BASE mill levies would decrease as the fund balance reappropriated increased. The local tax impact would be about the same as the state general fund impact.

Limiting district operating reserves to 10% of the ending fund balance may cause districts to experience cash flow problems and put many districts at risk of running into a deficit in the general fund.